USDA

Fact Sheet

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Permanent Normal Trade Relations With China
What's at Stake for Citrus?

The Market

U.S. citrus exports to China and Hong Kong in 1998 were $98 million, most of which were oranges. The United States supplies more than 80 percent of Hong Kong and China's imported citrus. Though there is very little direct trade, due to China's phytosanitary ban and high tariffs, some U.S. oranges are reportedly transshipped to China through Hong Kong. All U.S. sales abroad were atypically low in 1999 due to a freeze in California.

China is Asia's largest citrus producer, with total output estimated at 9.5 million metric tons. Tangerines account for about two-thirds of total production; the rest is mostly oranges. Citrus quality tends to be good, but deteriorates quickly during handling and shipment. Nearly all of China's citrus is grown south of the Yangtze River and most of it is harvested in November and December. Over 90 percent of China's citrus is consumed fresh. The remaining 10 percent of production, consisting mainly of mandarins, is canned.

The Opportunities

- Despite large domestic citrus production, China's poor transportation infrastructure and lack of cold storage facilities prevent many regions from receiving fresh, high-quality citrus. This provides the United States with an opportunity to export to these regions during the winter harvest season and during the spring season, after the Chinese harvest has peaked.

- China recently lifted a longstanding phytosanitary ban on U.S. citrus imports as part of a bilateral agricultural agreement. The agreement clears a major hurdle for direct shipments to China from the United States. It also opens up sales by the U.S. industry to the whole of China, not just the southern provinces that had been serviced through Hong Kong. U.S. exporters also will have direct access to the large central and northern coastal cities, creating a more efficient supply chain to meet China's demand for top quality fresh citrus.

- The current import tariff rate on all fresh citrus varieties is 40 percent, plus a value-added tax of 13 percent. China's accession to the World Trade Organization (WTO) will include a commitment to reduce the tariff rate to 12 percent by 2004. The lowering of the tariff barrier will make U.S. fruit more affordable, enabling Chinese consumers to purchase U.S. citrus more frequently.

- China offers great opportunities for grapefruit sales, since there is no domestic production. China's accession to the WTO would give the U.S. citrus industry a chance to introduce Chinese consumers to this fruit. Sales to other Asian markets, such as Japan and Korea, grew steadily after its introduction. The region has become one of our largest customers for grapefruit. New markets with thriving economies, such as China, are crucial to the continued health of U.S. export markets.

- Fresh fruit is popular among Chinese consumers, with urban households purchasing an average of more than 105 pounds per year. Citrus is consumed as a snack, a gift, or the final dish of a restaurant meal. Purchases of high-quality, imported fruit have expanded as the number of urban, higher-than-average income consumers has grown.

The Bottom Line for the U.S. Citrus Industry

- The opening of new markets, especially in a country where the demand for citrus is enormous, means that farmers in the citrus industry have new outlets where consumers will pay good prices for top quality citrus.

- Granting permanent normal trade relations to China and China's accession into the WTO will benefit the whole supply chain, creating economic benefits not only for U.S. citrus growers, exporters and cooperatives, but also for companies involved in port handling, transportation, storage and refrigeration.

- In 1998, the value of U.S. citrus production was $2.6 billion, of which about $650 million or one-fourth was exported. The bottom line is that a large share of each citrus farmer's income originates from export sales.

- As export sales grow, jobs will be created and supported in the citrus and other industries. Citrus exports support off farm business income and adds jobs to the economies of Florida, California, Texas, and the other citrus-producing states. The supporting industries earn profits from resale, export, storage, shipping, transportation, finance, refrigeration, and other related activities.